

Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 ARA-10 OMB-01 SSO-00 NSCE-00
INRE-00 INR-05 CIAE-00 NSAE-00 ICAE-00 PA-01 L-01
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O 172258Z AUG 78
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC IMMEDIATE 9547
TREASURY WASHDC IMMEDIATE

C O N F I D E N T I A L BOGOTA 7766

LIMDIS

TREASURY FOR SECRETARY BLUMENTHAL

EB FOR ASSISTANT SECRETARY KATZ

ARA FOR ASSISTANT SECRETARY VAKY

E.O. 11652: GDS
TAGS: ETRD, EFIN, CO
SUBJECT: USG COFFEE POLICY

REF: A. BOGOTA 7507, B. BOGOTA 7767

1. COLOMBIAN PRESS HEADLINED REPORTS OF FREEZE IN BRAZIL
ON NIGHTS OF AUG 13/14 AND 14/15 WHICH MAY HAVE SERIOUSLY
DAMAGED COFFEE PLANTS IN PARANA AND SAO PAULO. PRESS AND LEADING
ECONOMISTS AND OFFICIALS IN COFFEE SECTOR ALREADY SPECULATING ON
EFFECTS ON COLOMBIAN ECNOMY OF POSSIBLE SUBSTANTIAL PRICE RISES.
THERE HAS BEEN PUBLIC DISCUSSION OF HOW TO HANDLE THIS POSSIBLE
NEW COFFEE BONANZA; I.E., WHAT SHOULD BE PRICING, MARKETING POL-
CIES. PRESS ALSO REPORTS PRICE INCREASES LONDON MARKET.

2 REFTTEL REPORTS AUG 7 DISCUSSION BETWEEN SECREATARY BLUMENTHAL
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AND PRESIFENT TURBAY IN WHICH TURBAY EMPHASIZED
IMPORTANCE TO COLOMBIA OF COFFEE SITUATION AND AND MADE
PLEA FOR USG ASSISTANCE IN RECONSITUTING ICO
MECHANISM AT LONDON MEETING. IN REPOSE, SECRETARY
BLUMENTHAL NOTED WILLINGNESS OF USG TO BE AS HELPFUL
AS WE COULD ALTHOUGH HE NOTED DIFFICULTIES IN RATIFI-
CATION BEFORE OCTOBER MEETING.

3. EMB OFFICERS MET WITH GENERAL MANAGER OF COLOMBIAN COFFEE FEDERATION GOMEZ JARAMILLO ON AUGUST 17. GOMEZ STATED THAT IT STILL TOO EARLY TO ADEQUATELY ASSESS EFFECTS OF FROST BUT POSSIBLE 2-4 MILLION BAG SHORT-FALL IN BARZILIAN HARVEST WOULD UNDOUBTEDLY HAVE IMPACT ON INTERNATIONAL PRICE. GOMEZ, WHEN QUERIED ABOUT POSSIBLE REPERCUSSION ON GOC POLICY MEASURES, IMMEDIATELY NOTED THAT GOC STILL AWAITING INFORMATION FROM WASHINGTON ABOUT MEETINGS WITH KATZ OR BERGSTEN. GOMEZ MADE IT VERY CLEAR COLOMBIANS STILL VERY INTERESTED

IN DISCUSSING POSSIBLE ARRANGEMENTS BEFORE LONDON MEETING. IN ADDITION, HE STATED THAT MAJOR LATIN AMERICAN PRODUCERS WOULD MEET IN BOGOTA ON AUG 17.

4. APPARENT CONTINUED COLOMBIAN DESIRE TO DISCUSS POSSIBLE PRODUCER/CONSUMER ARRANGEMENT IMPLIES THAT EITHER THEY DO NOT FORSEE SIGNIFICANT PRICE INCREASES OR THEY STILL WISH PURSUE MODERATE POLICY. GOC AND COFFEE FEDERATION EXPRESSED BELIEF TO BLUMENTHAL THAT THERE MUST BE PRODUCER/CONSUMER AGREEMENT RATHER THAN UNILATERAL ACTION BY EITHER SIDE. THIS MODERATE POLICY COULD BECOME MORE EXTREMIST IF PRICES AGAIN SKYROCKET OR IF US REFUSES TO DISCUSS ARRANGEMENTS.

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5. SHOULD PRESS REPORTS INDICATING SEVERE DAMAGE PROVE ACCURATE AND COFFEE PRICE DECLINE BE REVERSED, USG MAY WANT TO RECONSIDER APPARENT WAIT AND SEE POLICY VIS-A-VIS LONDON MEETING AND ICO. GIVEN BLUMENTHAL OFFER TO TURBAY TO ASSIST COLOMBIA, THIS MAY BE MOST OPPORTUNE TIME TO GET AGREEMENT ON TRIGGER PRICE AND OTHER KEY ELEMENTS IN MECHANISM RATHER THAN WAIT UNTIL NEGOTIATING ADVANTAGE HAS PASSED TO PRODUCERS BECAUSE OF POSSIBLE HIGHER PRICES. NO MATTER WHAT ULTIMATE RESULT OF FREEZE MAY BE, OFFER AT THIS TIME TO BEGIN DIALOGUE WITH PRODUCERS COULD STRENGTHEN MODERATE ELEMENTS AMONG PRODUCERS. WOULD APPRECIATE ANY INFORMATION ASAP ABOUT POSSIBLE MEETING WITH KATZ OR BERGSTEN.
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